

## GST - PRACTICE TEST PAPER - SET 2

(From GST 9<sup>th</sup> Edition Question Bank)

For Admission / Inquiry - Whatsapp at 8527230445 (11am to 6pm)

1. [Composition Scheme + Time of Supply + Tax Invoice + ITC] M/s. Harsimran & Co., a registered supplier under GST, is dealing in supply of taxable goods in the State of Karnataka. 

The firm had opted for Composition Scheme from April month of last financial year. It's turnover crossed ₹ 1.50 Crores on 9th May of current financial year and had opted for withdrawal of composition scheme on the said date.

Harsimran & Co. removed goods on 10th June for delivery to Simran & Co. on 'Sale or Return Basis'.

Simran & Co. accepted the goods vide its confirmation mail dated 15th December.

The firm has paid GST for various items during the month of August. It comprised of the following –

- GST paid on input services **intended to be used for personal purposes** – ₹ 12,000
- GST paid on purchase of Motor Vehicle for business use (being a **two-wheeler** having engine capacity of 25CC) – ₹ 9,000
- GST paid on purchase of computer – ₹ 19,000

(GST portion was included as part of cost to claim depreciation under Income-tax Act, 1961)

During May, Harsimran and Co. had reversed ITC of ₹ 10,000 for not making payment to Vendors within the time prescribed under CGST Act, 2017. **This pending payment was cleared in the month of August.**

Out of purchases made and ITC availed during earlier months, the following information is made available as on September:

Supplier Name	Payment is due for (Number of days)	Related ITC Component
XYZ	165	₹ 13,000
ABC	199	₹ 15,000
PQR	99	₹ 20,000

Harsimran & Co received accounting services from Ekam & Co., an associated enterprise, located in Sri Lanka. Ekam & Co. issued invoice for the service on 1st September, which was entered by Harsimran & Co. in its book on 10th October. But payment was made on 30th September.

All the supply referred above is intra-State unless specified otherwise. Conditions applicable for availment of ITC are fulfilled subject to the information given above.

Based on the information provided above, choose the most appropriate answer for the following questions-

- A. Harsimran & Co. needs to furnish a statement containing details of stock of inputs/ inputs held in semi-finished / finished goods on the withdrawal of composition scheme by \_\_\_\_\_ [Page 5.34 of GST 9<sup>th</sup> Edition]

- 9<sup>th</sup> May
- 23<sup>rd</sup> May
- 8<sup>th</sup> June
- 7<sup>th</sup> July

- B. In respect of the goods sent on sale or return basis, Harsimran & Co. shall issue the invoice by \_\_\_\_\_

- 10<sup>th</sup> June
- 10<sup>th</sup> September
- 10<sup>th</sup> December
- 15<sup>th</sup> December

[Page 9.5 of GST 9<sup>th</sup> Edition Book]

- C. Determine the amount of eligible input tax credit that can be availed by Harsimran & Co for the month of August?**
- Nil
  - ₹ 19,000
  - ₹ 22,000
  - ₹ 50,000
- D. Compute the amount of ITC to be reversed for the month of September? Ignore interest liability, if any.**
- Nil
  - ₹ 28,000
  - ₹ 15,000
  - ₹ 13,000
- E. Time of supply in respect of service imported by Harsimran & Co from its Associated Enterprise is** [Page 7.6 of GST 9<sup>th</sup> Edition Book]
- 1<sup>st</sup> September
  - 30<sup>th</sup> September
  - 1<sup>st</sup> October
  - 10<sup>th</sup> October

- 2. [ITC Chapter - Section 16(3) - Page 12.7] Ganesh Traders, engaged in manufacturing of taxable as well as exempt goods, purchased a machinery worth ₹ 17,70,000 (₹ 15,00,000 plus ₹ 2,70,000 GST). It capitalized full amount including taxes in the books of accounts and claimed depreciation on it as per provisions of the Income Tax Act, 1961. Compute the amount of ITC that can be claimed by Ganesh Traders?**
- ₹ 2,70,000
  - Zero
  - In proportion of taxable and exempt supply
  - By decreasing percentage points as prescribed

**SUGGESTED ANSWERS**

1(A)	1(B)	1(C)	1(D)	1(E)	2
(c)	(c)	(b)	(c)	(b)	(b)
[Page 5.34]	[Page 9.5]	[10,000+9,000]	[Page 12.6]	[Page 7.6]	[Page 12.7]

- 3. [Exemption Chapter – Page 6.28 of GST 9<sup>th</sup> Edition Book] Determine the GST payable, if any, in each of the following independent cases, assuming that the rate of GST is 18% and that the service providers are registered under GST:**
- Bollywood dance performance by a film actor in a film and consideration charged is ₹ 1,45,000.
  - Carnatic music performance by a classical singer to promote a brand of readymade garments and consideration charged is ₹ 1,30,000.
  - Carnatic music performance by a classical singer in a music concert and consideration charged is ₹ 1,55,000.
  - Kathak dance performance by a classical dancer in a cultural programme and consideration charged is ₹ 1,45,000.

**Solution:**

- Bollywood Dance performance by a film actor in a film is not exempt from GST even though the consideration charged is less than threshold limit of ₹ 1,50,000. The reason for the same is that the dance performance by an artist is exempt only if it is a performance in folk or classical art forms of dance. Consequently, entire consideration charged is subject to GST as follows:  
 $= ₹ 1,45,000 \times 18\% = ₹ 26,100$
- Carnatic music performance by a classical singer to promote a brand of readymade garments is not exempt from GST even though, the consideration charged is less than threshold limit of ₹ 1,50,000 and it is a performance in classical art forms of music. The reason for the same is that the said exemption is not applicable to service provided by such artist as a brand ambassador. Consequently, entire consideration charged is subject to GST as follows:  
 $= ₹ 1,30,000 \times 18\% = ₹ 23,400$
- Carnatic music performance by a classical singer in a music concert is not exempt from GST even though it is a performance in classical art forms of music. The reason for the same is the consideration charged for the service exceeds ₹ 1,50,000. Consequently, entire consideration charged is subject to GST as follows:  
 $= ₹ 1,55,000 \times 18\% = ₹ 27,900$

- (iv) Kathak dance performance by a classical dancer in a cultural programme is exempt from GST as it is a performance in classical art forms of dance and consideration charged does not exceed ₹ 1,50,000 [i.e. ₹ 1,45,000].

4. [VALUE OF SUPPLY – Q8 / Page 8B.4 of GST 9<sup>th</sup> Edition Book] Kashvi Ltd., a registered supplier, has supplied machinery to Garam Dharam Ltd. (a supplier registered in the same State). It provides following particulars regarding the same:

S. No.	Particulars	Amount (₹)
(i)	Price of machinery (exclusive of taxes and discounts)	5,50,000
(ii)	Part fitted in the machinery at the premises of Garam Dharam Ltd. [Amount has been paid by Garam Dharam Ltd. directly to the supplier. However, it was Kashvi Ltd.'s liability to pay the said amount. The said amount has not been recorded in the invoice issued by Kashvi Ltd.]	20,000
(iii)	Installation and testing charges for machinery, not included in price	25,000
(iv)	Discount @ 2% on price of the machinery mentioned at S. No. (i) above (recorded in the invoice)	
(v)	Kashvi Ltd. provides additional discount @ 1% at year end, based on additional purchase of other machinery for which adjustment is made at the end of the financial year without any change in individual transactions.	

Determine the value of taxable supply made by Kashvi Ltd. to Garam Dharam Ltd.

**Solution:**

Computation of value of taxable supply made by Kashvi Ltd. to Garam Dharam Ltd.

Particulars	Amount (₹)
Price of machinery (exclusive of taxes and discounts)	5,50,000
<b>Add: Amount paid by Garam Dharam Ltd. directly to the supplier for the part fitted in the machinery</b> [Any amount that the supplier is liable to pay in relation to a supply but which has been incurred by the recipient of the supply and not included in the price actually paid or payable for the goods is includible in the value of supply in terms of section 15(2)(b) of the CGST Act, 2017.]	20,000
<b>Add: Installation and testing charges</b> [Any amount charged for anything done by the supplier in respect of the supply of goods at the time of/before delivery of goods is includible in the value of supply in terms of section 15(2)(c) of the CGST Act, 2017.]	25,000
<b>Less: Discount @ 2% on the price of machinery [₹ 5,50,000 x 2%]</b> [Since discount is given at the time of supply of machinery and recorded in the invoice, the same is deductible from the value of the supply in terms of section 15(3)(a) of the CGST Act, 2017.]	(11,000)
<b>Less: Additional 1% discount at year end</b> [Though the additional discount is established before/at the time of supply, it is not deductible from the value of supply in terms of section 15(3)(b) of the CGST Act, 2017 <b>as the same is not linked to any specific transaction and is adjusted by the parties at the end of the financial year.</b> ]	Nil
<b>Value of taxable supply</b>	<b>5,84,000</b>

5. [REGISTRATION CHAPTER + TAX INVOICE CHAPTER] Utsav Pvt. Ltd. of Meghalaya engaged in the supply of gifts items and repair services, provides you the following details:-

S. No.	Particulars	Date
1.	Commencement of the business of supplying goods and services	1 <sup>st</sup> August
2.	Turnover exceeds ₹ 10,00,000 on	15 <sup>th</sup> August
3.	Turnover exceeds ₹ 20,00,000 on	5 <sup>th</sup> September
4.	Application for registration made on	28 <sup>th</sup> September
5.	Registration certificate granted on	6 <sup>th</sup> October

The company seeks your advice as to how it should raise revised tax invoices for supplies made. Is there any specific provision for issuance of revised tax invoices to unregistered customers? Explain.

[Page 3.28, 9.3 & 9.10 of GST 9<sup>th</sup> Edition Book]

**Solution:**

A supplier of both goods and services whose aggregate turnover in a financial year exceeds ₹ 20 lakh in a State/UT [₹ 10 lakh in specified Special Category States] is liable to apply for registration within 30 days from the date of becoming liable to registration (i.e., the date of crossing the threshold limit of ₹ 20 lakh/ ₹ 10 lakh) in terms of section 22 of the CGST Act, 2017. **Since Meghalaya is not a specified Special Category State, applicable threshold limit is ₹ 20 lakh.**

Further, where the application is submitted within said period, **the effective date of registration is the date on which the person becomes liable to registration; otherwise it is the date of grant of registration.**

Every registered person who has been granted registration with effect from a date earlier than the date of issuance of registration certificate to him, **may issue revised tax invoices within 1 month** from the date of issuance of registration certificate in respect of taxable supplies effected during this period i.e. from the effective date of registration till the date of issuance of registration.

Since Utsav Pvt. Ltd. has made the application for registration within 30 days of becoming liable for registration, the effective date of registration becomes the date on which the company becomes liable to registration i.e. 5<sup>th</sup> September.

Thus, Utsav Pvt. Ltd. **may issue revised tax invoices** against the invoices already issued during the period between effective date of registration (5<sup>th</sup> September) and the date of issuance of registration certificate (6<sup>th</sup> October), within 1 month from 6<sup>th</sup> October.

Further, Utsav Pvt. Ltd. **may issue a consolidated revised tax invoice** in respect of all taxable supplies made to **unregistered dealers** during such period. However, in case of inter-State supplies made to unregistered dealers, a consolidated revised tax invoice **cannot be** issued in respect of all the recipients located in a State, **if the value of a supply exceeds ₹ 2,50,000.**

6. **[PAYMENT OF TAX – SECTION 50]** Mr. Piyush, a registered supplier of taxable goods, filed GSTR 3B for the month of January, 2021 on 15<sup>th</sup> April, 2021. The prescribed due date to file the said GSTR 3B was 20<sup>th</sup> February, 2021. The amount of net GST payable, in Cash i.e. Electronic Cash Ledger on supplies made by him for the said month worked out to be ₹ 36,500 which was paid on 15<sup>th</sup> April, 2021.

Briefly explain the related provisions and compute the amount of interest payable under the CGST Act, 2017 by Mr. Piyush. Ignore the effect of leap year, if applicable in this case.

[Page 2.18 of GST 9<sup>th</sup> Edition Book]

**Solution:**

Interest is payable in case of delayed payment of tax @ 18% per annum from the date following the due date of payment to the actual date of payment of tax.

Thus, the amount of interest payable by Mr. Piyush is as under:-

Period of delay = 21<sup>st</sup> February, 2021 to 15<sup>th</sup> April, 2021 = 54 days

Hence, amount of interest = ₹ 36,500 x 18% x 54/365 = ₹ 972

7. **[ITC Chapter – Section 18]** What is the ITC entitlement of a newly registered person?

[Page 12.25 of GST 9<sup>th</sup> Edition Book]

**Solution:**

A person applying for registration can take input tax credit of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date of grant of registration.

If the person was liable to take registration and he has applied for registration within 30 days from the date on which he became liable to registration, then ITC of inputs held in stock and inputs contained in semi-finished or finished goods held in stock on the day immediately preceding the date on which he became liable to pay tax can be taken.

In case of voluntary registration, ITC of such goods held in stock on the day immediately preceding the date of registration can be taken.

8. **[Registration Chapter]** What is the validity period of the registration certificate issued to a casual taxable person and non-resident taxable person?

[Page 3.29 & 3.30 of GST 9<sup>th</sup> Edition Book]

**Solution:**

In terms of section 27(1) of the CGST Act, 2017, the certificate of registration issued to a "casual taxable person" or a "non-resident taxable person" shall be valid for a period specified in the application for registration or 90 days from the effective date of registration, whichever is earlier.

However, the proper officer, at the request of the said taxable person, may extend the validity of the aforesaid period of 90 days by a further period not exceeding 90 days.